

What are the fundamental roles and responsibilities of a board?

Every board member, no matter how experienced, should receive some training or material on board roles and responsibilities.

There is a plethora of information today on nonprofit governance and the regulations to which boards need to adhere. To simplify all the somewhat complex information available, the six basic responsibilities of a board are listed and explained below. Some of the roles and responsibilities may be interpreted in a broad sense, while others are very defined by nonprofit law. How these roles and responsibilities are communicated to board members is crucial to the health of the organization and often the cause of misunderstandings between board and staff. Every board member, no matter how experienced, should receive some training or material on his or her most basic responsibilities. The mode of this information can run the gamut from a simple orientation packet or interview to an ongoing sequence of training as part of regular board meetings.

Six Basic Responsibilities of a Board

1. Establish and maintain financial accountability and a code of ethics
2. Establish mission, program, and organizational plan
3. Select, evaluate, and support the chief executive
4. Establish policy and procedures
5. Ensure adequate resources
6. Serve as advocates and ambassadors in the community for the work of the organization

*Establish and Maintain
Financial Accountability
and a Code of Ethics*

Often in board responsibility lists, financial accountability is not at the top. In my opinion, it should be. The public trusts the board to assure that the finances contributed to the organization are distributed according to the mission of the organization. For this reason, the board alone is held accountable and liable for the fiduciary functions of the organization according to law. Yet, how many board members tend to zone out during board meetings when anything that even hints of “finances” is discussed or reviewed. Often this is due to complicated spreadsheets and even more complicated explanations of line items or depreciation clauses. The single most productive way to clear up this financial fog is simply to ask questions. A board member, even a banker, is not expected to have the financial background to know everything about nonprofit financial procedures. No question is a bad question when it comes to fiduciary responsibility and every board member not only has the right to ask them, but the responsibility to ask for clarification.

Of course, those responsible for preparing the documents to be reviewed would be wise to present information with clarity and be prepared to answer any questions. If anything is not clear or easily explained, board members should immediately be suspicious. Even the most established organizations with high levels of trust have been subject to fraud.

As a board member, you should be familiar with general nonprofit tax exemption law. You should understand the IRS exemption status of your organization, be familiar with the 990 form and be sure that it is submitted by the organization as well as available to the public upon request. It is surprising how many organizations fail to fill out the required 990 form or are reluctant to make them available when requested. There are several watchdog organizations such as the National Charities Information Bureau and many foundations that make use of the information reported in the 990.

Recently, in Utah, the Utah Nonprofits Association has spent a great deal of time with representatives from various nonprofit organizations to comprise a list of nonprofit ethical practices. These guidelines are published on their website at http://www.utahnonprofits.org/stds_eths.html. If you are a new organization, these will serve as a guideline as you set up your policies and procedures. If you are more established, they serve as a good method of assessing your board and organization and setting new standards during your planning sessions. I would highly recommend reviewing them with your board and discussing a method of implementation.

Establish Mission, Program, and Organizational Plan

Because the law obligates board trustees to limit their activities to those covered by the mission statement as contained in the bylaws, it is crucial that the mission statement includes not only a broad enough purpose statement to encompass the many possible activities of the organization but also gives specific guidance on the direction the organization should take in its programs and activities. Often, it is a complex task to write a mission statement, but the board must grapple with it and come to a decision. Mission statements are organic and should have a regular review process to adjust to the internal and external environmental forces. Again, this is one of the reasons to value the “outside” view of board members.

Much has been written about mission statements and how they should be worded. Some suggest short succinct verbiage, while others maintain that the statement should be long enough to encompass everything the organization does. Brevity is beneficial to allow board members and staff the ease of being able to state the mission to potential donors or future board members. However, the best mission statement is one that allows both the staff and the board to focus their roles and ideas on what makes your organization unique, i.e. what do you do that serves in a unique way. It should focus on the outcomes your organization seeks to achieve.

The best way to determine this is to begin with defining the shared values of those who serve in the organization. Why do you want to give your time and energy to the organization? What underlying values do you have? In the arts and cultural organizations, it can simply be your own personal experience with an art form and how it has affected your life or the lives of those you are close to. Values can range from a sense of community to lifetime learning to a simple form of faith. By collectively voicing these shared values, you connect to one another and to a common cause. This collective force or passion is the energy that drives the organization to fulfill its mission.

Another worthwhile exercise is to allow both staff and board to articulate their vision for where they see the organization going in the future. By sharing these dreams, the board and staff can look for common themes and begin a dialogue of a shared vision of the future. Every board should have some type of visioning exercise before beginning any long term planning process. This exercise will assure that everyone is heading in the same direction-- to the same future picture of what the organization will look like and accomplish.

The planning process itself can take many forms. The procedure is not as important as the **thought and action** it creates. Board members should understand why planning is critical to the organization. The *Nonprofit Board Answer Book* lists some of the reasons why strategic planning is so important:

- *Survival.* There is no guarantee of survival, no matter how compelling a mission you have. The board must set in place a planning process to address burning questions.
- *Achieving the mission.* It is crucial that board and staff stay focused on mission. Strategic planning reevaluates the mission and helps keep that mission-focus.
- *Reality Check.* Strategic planning can identify the realities that must be addressed sooner rather than later.
- *Focus.* The planning will help determine which actions bring the most results, which old activities are no longer significant, and where the majority of resources should be directed. (Again, using those “outside” eyes and ears)
- *Consensus and ownership.* During the planning process, dialogue about how well the organization is doing and what it should be doing next, creates a sense of ownership.
- *Effectiveness.* Some nonprofits are good at doing the wrong things. In a world of limited resources, choosing the best among the good is difficult and requires regular, conscious strategic thinking.
- *Leadership review.* Strategic planning can help the board determine what the trends require concerning the issue of whether and when a leadership change is needed. (a strategic planning grid is included in the appendices)
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*Select, Evaluate, and
Support the Chief
Executive*

If your organization has a chief executive (executive director), you will soon realize that this person greatly influences the culture of the organization and how your constituency perceives it. Because of this influence, it is a crucial responsibility of the board to select the kind of person who will represent the organization well and handle the day-to-day operations as directed by established policies and procedures.

Trustees should agree upon a job description that lists both general responsibilities and specific tasks of the chief executive. They should talk about their expectations and decide together what kind of person they are looking for. It is critical that this person has values that align with the collective values of the board and organization's mission. Even the best manager may misguide the organization if he or she has misaligned values.

Supporting the chief executive should be an ongoing attitude that is expressed often. This issue will be addressed in chapter seven on board and staff relationships. Evaluation and ongoing feedback should also be an expectation that is addressed before the person is hired and provided on a regular basis. The board can decide on what type of evaluation works best for the organization and should have a policy in place to address the possibility of having to let the executive go if necessary.

Establish Policy and Procedures

In addition to keeping the bylaws updated and enforced, the board should establish any new policy or clarify existing policy that is needed to fulfill the mission of the organization. Some of the policy the board will want to look at periodically or as the need

arises includes, but is not limited to:

- Board member terms
- Board structure and committees
- Meeting structure
- Attendance policies
- Financial policies
- Membership guidelines
- Officer terms and elections
- Partnership agreements
- Fund raising procedures
- Personnel and volunteer policies

Ensure adequate resources

The board sets the tone of giving to the organization by committing time and financial resources. Often a potential funder will ask how much financial support the board gives to the organization in order to understand the level of support and commitment from the board members. This is sometimes a controversial issue, especially for smaller organizations. I am often surprised by a group of people

who are forming a nonprofit and cannot come up with the less than \$200 required to obtain their 501c3. Even with a small board of only four or five people, this is a small token of commitment to the future of the organization. Often exceptions may need to be made, but generally most board members can set the example for the community and make a financial contribution to the organization.

The board's role in fundraising is just as important. As was stated earlier, most board members have a wide range of influence and should be willing to share their knowledge of these contacts in fundraising efforts. Often, they can be a link to a potential funder and can open the door by setting up appointments or arranging a lunch meeting. This can be just as beneficial as the board member actually doing the "ask." Ultimately, board members can assist in many ways in fundraising efforts. How this assistance will be structured depends a great deal on the size of the organization and if there are staff members designated to do fundraising or if the board is an all-volunteer board. (*See Chapter 7 for more on board fundraising*)

Serve as Advocates and Ambassadors in the Community for the Work of the Organization

This was covered in the first chapter on the value of board members but should be emphasized as a crucial role of each board member. Effective boards form links to the community the organization serves, its stakeholders or constituency. The board is the ambassador for the organization that listens to them and communicates with

them about the organization and its mission. An example of this would be having board members participate in a radio broadcast about the organization.

Nonprofit organizations are being scrutinized more than ever by the government and the public. Board members need to understand their basic roles and responsibilities to enable them to set a clear direction for the organization and the people who will implement the work of the organization. Clarity of these basic roles and responsibilities can energize the organization and contribute to the overall health of the community.

...I urge all nonprofit board members to be ambassadors , not just of your organization's mission, but to encourage board service and a more enlightened understanding of the nonprofit sector's role in strengthening communities.

Marianne P. Eby, /Acting CEO, Boardsource

Legal Responsibilities

In addition to the six basic responsibilities, a board member must meet certain standards of conduct according to well-established principles of nonprofit corporation law. Most of the basic responsibilities are covered within these standards. The standards are usually described as the duty of care, the duty of loyalty, and the duty of obedience and are the legal expression of the standards that will be used in any potential court action against a board member.

Duty of Care

The duty of care describes the level of competence that is expected of a board member. This duty is commonly expressed as the duty of “care that an ordinarily prudent person would exercise in a like position and under similar circumstances.” This means that a board member owes the duty to exercise reasonable care when he or she makes a decision as a steward of the organization.

Duty of Loyalty

The duty of loyalty is a standard of faithfulness; a board member must give undivided allegiance when making decisions that impact the organization. This means that a board member should never use information obtained as a member for personal gain, but must act in the best interests of the organization.

Duty of Obedience

The duty of obedience asks that board members be faithful to the organization’s mission. They are not permitted to act in any way that is inconsistent with the central goals of the organization. A basis for this rule lies in the public’s trust that the organization will manage donated funds to fulfill the organization’s mission.

Taken from *The Legal Obligations of Nonprofit Boards: A Guidebook for Board Members* NCNB, 1997.



IDEAS & TOOLS TO USE THIS INFORMATION

As a Board Member:

- Express your support for the executive director whenever possible.
- Periodically scrutinize the bylaws to ensure that existing policy supports the mission of the organization.
- As the eyes of the organization, scan the environment and listen to how others perceive your organization. Use this information to evaluate the current health of the organization. Be open to the idea that change may need to happen to ensure that health.
- Never be reluctant to ask questions in board meetings.
- Make the time to learn about your roles and responsibilities as a board member. If you are new to the organization, find another board member with an “institutional memory” and learn about the history of the organization.
- Set the example for the community and make a financial contribution to the organization.
- Establish a code of ethics for your organization that everyone feels comfortable with.
- Take strategic planning seriously. Understand the mission, vision and values of the organization and help establish long and short term goals within that framework.

As a Board Chair:

- Consider leading the board in a discussion about ways they can be advocates for the organization.
- Make board development a part of every meeting. Devote at least 15-20 minutes at a designated time, usually after business, for learning more about their role as a board member. Consider bringing in experts to teach

how to read a financial statement, what a 990 form is and other areas of general board member knowledge.

- Keep the mission statement in front of board members at board meetings, both physically and figuratively. When the discussion needs to be redirected to the mission of the organization, it will be there to remind everyone.
- Don't be afraid to make needed changes. As a leader, you are in a position to create awareness when changes in policy or mission may need to be considered to ensure sustainability of the organization.
- Set the example for the board by generously contributing both time and financial resources whenever possible. Also, let the board members observe your willingness to influence others to contribute to the organization.

As an Executive Director:

- Assist the Board Chair in establishing a “learning organization” by educating board members about their roles and responsibilities on a regular basis.
- Keep the mission statement in clear view. Include it in the minutes and regular mailings. Continually express your passion for the mission of the organization.
- Because you deal with the day-to-day operations, you can be a “reality check” for the board during meetings. Be sure and express concerns and contribute your experiences to the board meeting discussions. This allows the board to make more informed decisions.
- Prepare board information such as budget and IRS forms in as simple a language as possible. Be open to questions when presenting the information to the board. Often visual charts etc. of the information is helpful.

Mission, Vision, Values Worksheet

MISSION: a short, comprehensive statement of purpose.

The mission statement identifies what an organization does (or should do) and for whom it is done. This statement is a valuable tool for directing, planning and implementing the organization's activities. It should not only embody the organization's values but should also indicate the principal services or products provided; reflect the organization's self-concept and image sought; and identify the clientele served. Even though a board may choose to revise the mission statement, it should be all encompassing to allow the organization to achieve its vision, and reflect the ultimate rationale for the existence of the organization.

When writing a mission statement, address the following questions:

- ☐ Who are we?
- ☐ What do we do?
- ☐ For whom do we do it?
- ☐ Why do we do it?
- ☐ Why are public resources devoted to this effort?

VISION: a compelling conceptual image of the desired future.

Vision provides a picture of the organization's ideal future. It is a critical ingredient for change. A vision inspires and challenges the board. It is the standard by which progress is measured. Its structure is less important than its effect on the values and motivation of every member of the organization.

When integrated with mission and values, vision comprises the unique "organizational identity." Linking vision, mission, and values then creates a powerful synergy and compels the organization forward. "Without a vision, there is no inspiration. But a vision without a mission is an impractical notion. A mission without values could lead to an 'ends justifies the means' credo" (Association of Performing Arts Presenters)

A vision statement should answer these questions:

- ❑ What are our aspirations?
- ❑ What do we desire to accomplish?
- ❑ What will our organization look like in the future?
- ❑ What is our ideal future?
- ❑ How do we wish to be known by our members, constituency and community?
- ❑ How will our organization enhance the quality of life for those who use our services?

VALUES: core values describe how an organization conducts itself in carrying out its mission.

Values are human factors that drive the conduct of an organization. Values express common beliefs and values that can be embraced by the whole organization. They serve as criteria for judging the decisions, choices and selection of strategies. Values often become a subtle component of the organizational culture and often difficult to examine.

Criteria for Expressing Values

- A guiding value expresses a core value or fundamental belief in decisive language.
- Values should express common beliefs and values that can be embraced by the whole organization.
- Values should be constructed so that decisions about the kinds of structures, systems and skills required will help make the vision a reality.

Taken from a training manual of the Association of Performing Arts Presenters, 2002

